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C O N F I D E N T I A L SECTION 01 OF 02 ZAGREB 001238

SIPDIS

STATE FOR EUR (BOGUE) AND PM (LINO)
DEFENSE FOR OSD/DASD-EURASIA (RICARDEL), OSD-P (SHELTON)
AND DSCA-ERASA

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E.O. 12958: DECL: 05/03/2013

TAGS: [MARR](#) [PREL](#) [KTIA](#) [ABUD](#) [MASS](#) [PREL](#) [KTIA](#) [ABUD](#) [MASS](#) [HR](#) [HRMARR](#) [KICC](#) [NATO](#)

SUBJECT: CROATIA: SUSPENSION OF MILITARY ASSISTANCE WOULD
SLOW PROGRESS TOWARD NATO, LIMIT BORDER SECURITY

REF: A. STATE 139892

[1](#)B. STATE 139186 (NOTAL)

CLASSIFIED BY: POLOFF A.F.GODFREY FOR REASONS 1.5 (B,D)

SUMMARY

[1](#)1. (C) CROATIA IS HEAVILY RELIANT ON FMF AND IMET FUNDING TO ACHIEVE ITS GOALS OF MODERNIZATION AND INTEROPERABILITY WITH NATO. AS CROATIA STRUGGLES TO DOWNSIZE AND RESTRUCTURE ITS MILITARY, NEARLY 70 PERCENT OF ITS DEFENSE BUDGET IS CONSUMED BY PERSONNEL COSTS. THE LOSS OF U.S. MILITARY ASSISTANCE PROGRAMS WILL CERTAINLY SLOW CROATIA'S PROGRESS TOWARD ELIGIBILITY FOR NATO MEMBERSHIP AND THEREBY AFFECT OUR EFFORTS TO PROMOTE REGIONAL STABILITY IN SOUTH CENTRAL EUROPE BY MOVING THE REGION'S COUNTRIES INTO EURO-ATLANTIC INSTITUTIONS AND USING THE LEVERAGE OF THE NATO ACCESSION PROCESS TO SPEED REFORMS.

[1](#)2. (C) CROATIA VALUES THE HIGH LEVEL OF BILATERAL DEFENSE COOPERATION AND WOULD REGRET THE IMPACT AN ASSISTANCE CUTOFF WOULD HAVE ON THAT RELATIONSHIP, PERHAPS EVEN MORE THAN THE IMPACT OF THE LOSS OF ASSISTANCE ITSELF. POST IS WORKING TO
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MITIGATE THE IMMEDIATE IMPACT OF SEVERING MILITARY ASSISTANCE. AT RISK IS USD 5.5 MILLION IN UNOBLIGATED FMF FUNDS FROM FY 2003. WHILE WE HAVE NOT YET TAKEN STEPS WHICH WOULD WEAKEN OUR EFFORTS WITH THE GOC TO NEGOTIATE AN ARTICLE 98 AGREEMENT, IT IS LIKELY THAT MOST OF THE FY03 FMF FUNDS COULD BE OBLIGATED BEFORE THE JULY 1 DEADLINE. END SUMMARY.

CROATIA RELIES ON FMF FOR MODERNIZATION, INTEROPERABILITY

[1](#)3. (C) BECAUSE THE GOC IS STILL STRUGGLING WITH DOWNSIZING AND RESTRUCTURING ITS MILITARY, PERSONNEL COSTS ARE A DISPROPORTIONATELY HIGH PORTION OF THE ANNUAL MOD BUDGET. IN ITS MAY 2003 REPORT TO NATO'S NORTH ATLANTIC COUNCIL IN ITS FIRST MEMBERSHIP ACTION PLAN REVIEW, CROATIA REPORTED THAT MILITARY PROCUREMENT MAKES UP ONLY ABOUT 18 PERCENT OF ITS TOTAL BUDGET. SUBTRACT FROM THIS AN EXPENSIVE UPGRADE/OVERHAUL TO ITS AGING FLEET OF MIG AIRCRAFT AND THE PAYMENTS TO SERVICE AN EX-IM BANK LOAN USED FOR THE PURCHASE OF COASTAL AND AIR SURVEILLANCE RADARS, AND THE \$5.5 MILLION FMF BUDGET IS THE EQUIVALENT OF NEARLY 30 PERCENT OF CROATIA'S OWN NATIONAL DEFENSE MODERNIZATION BUDGET. ALL OF THE EQUIPMENT IN THE CURRENT FMF PROCUREMENT PIPELINE IS INTENDED TO SUPPORT CROATIA'S GOALS OF INTEROPERABILITY WITH NATO.

FMF COMMUNICATIONS EQUIPMENT SUPPORTS BORDER SECURITY

[1](#)4. (C) CROATIA'S TOP PRIORITIES FOR FMF, AS DEVELOPED BY MOD PLANNERS IN CLOSE COOPERATION WITH EMBASSY ZAGREB'S ODC, HAVE
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BEEN TO PROCURE VHF AND OTHER WIDE-BAND RADIOS, IFF EQUIPMENT FOR CAF HELICOPTERS, MILES EQUIPMENT AND NIGHT VISION GOGGLES FOR THE GROUND FORCES. THESE PURCHASES WILL HELP ACHIEVE FORCE INTEROPERABILITY WITH NATO. RADIO EQUIPMENT ALSO PLAYS A ROLE IN ENSURING CROATIA IS CAPABLE OF CONTROLLING ITS LONG MARITIME BORDER; WITHOUT THIS COMMUNICATIONS CAPABILITY, CROATIA'S NEWLY INSTALLED RADAR SYSTEMS WOULD NOT BE FULLY INTEGRATED.

THE NUMBERS: WHAT IS AT STAKE

[1](#)5. (C) ALL OF THE FY 2000 AND 2001 FMF FUNDS HAVE BEEN OBLIGATED, ALTHOUGH EQUIPMENT HAS NOT YET BEEN DELIVERED. OF THE USD 5 MILLION ALLOCATED FOR FY 2002, USD 377,867 REMAINS TO BE OBLIGATED (WORK ON THIS CASE HAS BEEN ONGOING; A CHANGE

IN PRICE FOR NIGHT VISION GOGGLES HAS PREVENTED COMPLETION;
IT IS NOT LIKELY TO BE COMPLETE BEFORE THE JULY 1 CUTOFF).
NONE OF THE USD 5.5 MILLION FOR FY 2003 HAS BEEN OBLIGATED,
AND UNLESS PROMPT ACTION IS TAKEN, THIS FUNDING IS AT RISK OF
BEING SUSPENDED. USD 700,000 WAS ALLOCATED FOR FY 2003 IMET
PROGRAMS WITH CROATIA. OF THIS AMOUNT, USD 599,179 WILL BE
OBLIGATED BY JUNE 30, LEAVING USD 100,821 AT RISK OF BEING
SUSPENDED AND REALLOCATED.

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ACTION EUR-00

INFO	LOG-00	MFA-00	NP-00	AF-00	AID-00	ACQ-00	CIAE-00
	INL-00	PERC-00	SRPP-00	DS-00	EB-00	FBIE-00	FO-01
	VC-00	TEDE-00	INR-00	IO-00	JUSE-00	LAB-01	L-00
	VCE-00	AC-01	NSAE-00	NSCE-00	OIC-02	OMB-01	PA-00
	PM-00	PRS-00	ACE-00	P-00	SCT-00	SP-00	IRM-00
	SSO-00	SS-00	TRSE-00	T-00	USIE-00	DTC-00	PMB-00
	DSCC-00	LBA-00	PRM-00	DRL-01	G-00	NFAT-00	SAS-00
	SWCI-00	/007W					

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FM AMEMBASSY ZAGREB
TO SECSTATE WASHDC IMMEDIATE 0369
SECDEF WASHDC IMMEDIATE
INFO HQ USEUCOM VAHINGEN GE//ECJ4-ID// IMMEDIATE
AMEMBASSY BELGRADE PRIORITY
AMEMBASSY LJUBLJANA PRIORITY
AMEMBASSY SARAJEVO PRIORITY
AMEMBASSY SKOPJE PRIORITY
AMEMBASSY TIRANA PRIORITY
USEU BRUSSELS PRIORITY
USMISSION USNATO PRIORITY

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CROATIA VALUES BILATERAL DEFENSE RELATIONSHIP

16. (C) FOREIGN MINISTER PICULA TOLD THE AMBASSADOR ON MAY 29
THAT CROATIA WILL REGRET THE POTENTIAL DAMAGE DONE TO THE
BILATERAL MILITARY AND OVERALL U.S. - CROATIA RELATIONSHIP
EVEN MORE THAN THE LOSS OF THE FUNDING. PICULA SAID CROATIA
HIGHLY VALUES THE POSITIVE RELATIONS THE MOD HAS DEVELOPED
WITH DOD AS ONE OF THE "MOST POSITIVE" ASPECTS OF THE BROADER
BILATERAL RELATIONSHIP. IN AN EARLIER MEETING WITH THE
AMBASSADOR, CROATIA'S AMBASSADOR TO THE U.S. IVAN GRDESIC
PRAISED THE OUTSTANDING CUMULATIVE EFFECT THE IMET PROGRAMS
ARE HAVING ON THE PROFESSIONALISM OF THE CAF'S OFFICER CORPS.
THESE OFFICERS RETURN TO CROATIA WITH A VISION OF A MODERN
MILITARY, ORIENTED TOWARD NATO AND READY TO ENGAGE WITH THE
U.S. TO ACHIEVE OUR SHARED GOALS IN THE REGION.

NEXT STEPS

17. (C) WE CONTINUE TO PRESS HARD FOR THE GOC TO ENGAGE MORE
SERIOUSLY TO NEGOTIATE AN ARTICLE 98 AGREEMENT, BUT WE HAVE
NO SERIOUS EXPECTATION THAT THE GOC WILL AGREE. WE WILL
ENGAGE WITH MOD PROCUREMENT SPECIALISTS TO COMMIT THE BULK OF
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THE FY 2003 FMF FUNDS AT RISK. SINCE THERE IS NO TIME TO
BUILD A NEW FMF CASE BEFORE THE JULY 1 CUTOFF, THE ONLY WAY
TO OBLIGATE THESE FUNDS IS TO AMEND AN EXISTING CASE. FOR
CROATIA, THIS MAKES GOOD SENSE, SINCE THE EXISTING CASE FOR
PURCHASE OF VHF RADIOS HAS BEEN IDENTIFIED BY THE MOD AS A
TOP PRIORITY FOR FUTURE FMF FUNDING.

18. (C) WE HAVE BEEN RELUCTANT TO PRESENT THIS APPROACH TO
THE MOD IN ORDER TO RETAIN AS MUCH LEVERAGE AS POSSIBLE TO
ENCOURAGE THE GOC TO NEGOTIATE AN ARTICLE 98 AGREEMENT. WE
EXPECT AN INTER-AGENCY TEAM LED BY PM'S AMBASSADOR MARISA
LINO TO DISCUSS THIS ISSUE IN ZAGREB ON JUNE 12. POST'S
OFFICE OF DEFENSE COOPERATION WAS INFORMED ON MAY 30 BY
DEFENSE SECURITY COOPERATION AGENCY (DSCA) EXPERTS THAT IT

WOULD BE NECESSARY TO BEGIN THE PROCESS OF COMMITTING
UNOBLIGATED FMF FUNDING BY JUNE 4 IN ORDER TO BE SURE TO BE
ABLE TO MEET THE JULY 1 DEADLINE. WE WILL ENGAGE WITH THE
MOD IN AN EFFORT TO COMMIT THE FY 2003 FUNDS IN TIME.
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